

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ROME

UNCLAS STATE 158902

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: US-ITALIAN INCOME TAX CONVENTION

REF: ROME 8972

1. EMBASSY IS REQUESTED TO TRANSMIT TO FOMIN THE
FOLLOWING NOTE:

BEGIN TEXT: THE EMBASSY OF THE UNITED STATES PRESENTS ITS
COMPLIMENTS TO THE MINISTRY OF FOREIGN AFFAIRS OF THE
ITALIAN REPUBLIC AND HAS THE HONOR TO REFER TO THE
MINISTRY'S NOTE VERBALE OF JUNE 28, 1974, RELATING TO
PROBLEMS WHICH HAVE ARISEN REGARDING THE APPLICATION OF
THE CONVENTION BETWEEN THE UNITED STATES OF AMERICA AND
THE ITALIAN REPUBLIC FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES
ON INCOME, SIGNED AT WASHINGTON ON MARCH 30, 1955.

1. THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THE
NOTE VERBALE TO MEAN THAT THE GOVERNMENT OF ITALY IS
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PREPARED TO APPLY THE CONVENTION TO THE PERSONAL AND

CORPORATE INCOME TAXES WHICH BECAME EFFECTIVE IN ITALY ON JANUARY 1, 1974. ACCORDINGLY, THE ITALIAN WITHHOLDING TAX ON DIVIDEND PAYMENTS FROM ITALIAN CORPORATIONS TO UNITED STATES RESIDENTS OR CORPORATIONS NOT HAVING A PERMANENT ESTABLISHMENT IN ITALY WILL BE LIMITED TO 50 (OR 5 IF PAID BY A QUALIFYING 95 OWNED ITALIAN SUBSIDIARY). IN THE CASE OF ROYALTIES PAID BY AN ITALIAN LICENSEE TO UNITED STATES RESIDENTS OR CORPORATIONS NOT HAVING AN ITALIAN PERMANENT ESTABLISHMENT, THERE WILL BE NO WITHHOLDING TAX AT THE SOURCE.

IN THE CASE OF DIVIDENDS AND ROYALTIES PAID FROM UNITED STATES SOURCES TO ITALIAN RESIDENTS OR CORPORATIONS, THE SAME LIMITATIONS ON WITHHOLDING TAXES WILL CONTINUE TO APPLY IN ACCORDANCE WITH THE OBLIGATIONS OF THE UNITED STATES UNDER THE EXISTING CONVENTION.

IT IS ALSO UNDERSTOOD THAT NEGOTIATIONS WILL CONTINUE EXPEDITIOUSLY TO RESOLVE THE STATUS UNDER THE PRESENT CONVENTION OF THE TAX IMPOSED BY THE GOVERNMENT OF ITALY UNDER THE TITLE L'IMPOSTA LOCALE SUI REDITTI, COMMONLY REFERRED TO AS "ILOR."

THE GOVERNMENT OF THE UNITED STATES CONCURS THAT THE EFFECTUATION OF THESE UNDERSTANDINGS WOULD BE IN THE INTERESTS OF BOTH GOVERNMENTS TO PREVENT ANY DISRUPTION OF THE MUTUALLY ADVANTAGEOUS BILATERAL ECONOMIC RELATIONS WHICH HAVE BEEN CREATED UNDER THE PRESENT CONVENTION. ACCORDINGLY, THE GOVERNMENT OF THE UNITED STATES ANTICIPATES THAT THE GOVERNMENT OF ITALY WILL TAKE THE NECESSARY STEPS AS PROMPTLY AS POSSIBLE TO IMPLEMENT THESE UNDERSTANDINGS WITH EFFECT FROM JANUARY 1, 1974.

2. IN ORDER TO INFORM INTERESTED TAXPAYERS, AND TO ELIMINATE UNCERTAINTIES AND MISUNDERSTANDINGS, THE GOVERNMENT OF THE UNITED STATES PROPOSES THAT AN OFFICIAL COMMUNIQUE BE ISSUED INFORMING THE PUBLIC OF THESE INTERIM ARRANGEMENTS AND NOTING THAT, PENDING RESOLUTION OF THE STATUS OF ILOR, ANY TAX LIABILITY WHICH UNITED STATES RESIDENTS OR CORPORATIONS MAY INCUR UNDER THE PROVISIONS

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OF ILOR WILL BE DUE AND WILL BE PAYABLE BY REMITTING THE AMOUNT OF SUCH LIABILITY WITH THE APPROPRIATE TAX RETURN AT THE PROPER FILING TIME, NORMALLY AT THE END OF THE TAXABLE OR FISCAL YEAR. THE PRECEDING PARAGRAPHS WILL BE EFFECTIVE FROM AND AS OF JANUARY 1, 1974.

3. IT IS AGREED THAT NEGOTIATIONS WILL BE HELD EXPEDITIOUSLY AT A MUTUALLY AGREEABLE TIME AND PLACE TO CONSIDER

REVISING THE PRESENT CONVENTION TO UPDATE IT BOTH TECH-
NICALLY AND FROM A POLICY STANDPOINT.

THE GOVERNMENT OF THE UNITED STATES WOULD APPRECIATE
RECEIVING THE CONFIRMATION OF THE GOVERNMENT OF ITALY
REGARDING THE UNDERSTANDINGS SPECIFIED IN THIS NOTE. END
TEXT.

2. PURSUANT TO 11 FAM 735 AFTER TRANSMISSION OF THIS
NOTE, EMBASSY IS REQUESTED TO TRANSMIT TO DEPT, ATTENTION
ASSISTANT LEGAL ADVISER FOR TREATY AFFAIRS, A CERTIFIED
COPY OF US NOTE AND, WHEN IT BECOMES AVAILABLE, THE SIGNED
ORIGINAL OF THE ITALIAN NOTE IN REPLY. KISSINGER

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